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On Solving the Difficulties of Privately  
Owned and Operated Cotton Mills in Shanghai  
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**RESTRICTED****SECURITY INFORMATION****ON SOLVING THE DIFFICULTIES OF PRIVATELY OWNED AND OPERATED  
COTTON MILLS IN SHANGHAI**Existing Problems

Privately-owned cotton industry in Shanghai is currently facing many difficulties. These difficulties trace back a long long time. According to economic principle, these difficulties arise from poor location of the plants, lack of initial financial backing which necessitates borrowing of fund at a very high interest rate, antiquated operation technique and methods of operation hampering production, and distribution of profits to the owners instead of reinvestment into the business.

During the war and post-war years but prior to liberation, the cotton mills in Shanghai were very hard hit. The establishment of branches outside the city necessitated transfer of large capital. Thus, by November 1949, many plants were unable to meet their operating costs. One of the causes for this was that they had to continue paying high interest rate on their borrowed funds.

Present Problems

Some of the major problems now facing the cotton mills of Shanghai are: 1) commitment for the payment of too high an interest rate; 2) lack of working capital; 3) low production; 4) lack of power resulting from war damages.

Steps to be Taken to Remedy the Situation

In order to lighten the burden of interest payment, loans must be converted from a monetary basis to an actual value basis. This will

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permit the cotton mills to pay off their debts in accordance with the current market prices.

It is paramount that the capital of the cotton mill be increased. In time of financial crisis, financial firm generally refrain from investing in any cotton mill. Therefore, cotton mills should be permitted to seek floating funds or commercial capital because the prospect of expansion in the industrial field will be much greater than in the commercial field in the future.

Measures must be taken to establish closer cooperation between the management and labor. This step is an essential move to overcome many of the difficulties now being faced by the cotton mills in Shanghai.

To meet the industrial power needs of the cotton mills, it is important that present source of power be utilized to the maximum. Steps must also be taken to expand the power source of this area to fulfill the future needs of these mills. Along this line, it might be added that some plants should be moved into the interior closer to the raw material sources. This may help partly to lower the cost of operation.

Many problems are now being faced by the cotton mills of China. The solving of these problems would necessarily be very slow. Solutions to these problems can be accomplished only through diligence on the parts of all persons concerned.

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